

**Analysis of Disclosure Requirements
Relating to Tier 2 Supplement to AASB
Exposure Draft ED 198 *Revenue from
Contracts with Customers***

Analysis of Disclosure Requirements

Disclosures Proposed in AASB ED 198	Disclosure Requirements in <i>IFRS for SMEs</i> , Section 23	Comments
<p>69 To help users of financial statements understand the amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, an entity shall disclose qualitative and quantitative information about:</p> <p>(a) its contracts with customers (paragraphs 73–80); and</p> <p>(b) the significant judgements, and changes in judgements, made in applying the [draft] IFRS to those contracts (paragraphs 81–83).</p>		<p>Paragraph 69 is the overall principle for the proposed disclosure.</p> <p>Based on the reasoning in paragraph 6(a) of ‘Tier 2 Disclosure Principles’, in relation to cash flows, paragraph 69(a) should be retained in Tier 2.</p> <p>Paragraph 69(b) corresponds to paragraph 122 of AASB 101 <i>Presentation of Financial Statements</i> “122. An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.” (equivalent to paragraph 8.6 of the <i>IFRS for SMEs</i>).</p> <p>Based on the reasoning in paragraph 6(c) of ‘Tier 2 Disclosure Principles’, in relation to measurement uncertainties, paragraph 69(b) should be retained in Tier 2.</p> <p>Note that paragraphs 73-83, referred to in paragraph 69, are separately considered below.</p>
<p>70 An entity shall consider the level of detail necessary to satisfy the disclosure requirements and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation</p>		<p>Paragraph 70 is in the nature of guidance and should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.</p>

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of items that have different characteristics.		
71 If the disclosures provided in accordance with this [draft] IFRS and other IFRSs do not meet the objective in paragraph 69, an entity shall disclose whatever additional information is necessary to meet that objective.		Paragraph 71 is in the nature of guidance and should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’.
72 Other IFRSs (for example, IFRS 8 <i>Operating Segments</i>) require an entity to present and disclose information related to revenue. The entity need not disclose information in accordance with this [draft] IFRS if it has provided the information in accordance with another IFRS. However, an entity shall present and disclose the additional information in accordance with this [draft] IFRS in a way that shows how it relates to information required by that other IFRS.		Paragraph 72 is in the nature of guidance and should be retained in Tier 2 disclosure requirements based on the reasoning in paragraph 7 of ‘Tier 2 Disclosure Principles’. The IASB has used an example based on a requirement that has been excluded from Tier 2 disclosure requirements and hence it is proposed to exclude the reference to IFRS 8 from Tier 2 disclosure requirements to avoid confusion.
<p>Contracts with customers</p> <p>73 An entity shall disclose information about its contracts with customers to help users understand the amount, timing and uncertainty of revenue and cash flows from those contracts, including:</p> <ul style="list-style-type: none"> (a) a disaggregation of revenue for the period (paragraph 74); (b) a reconciliation from the opening to the closing aggregate balance of contract assets and contract liabilities (paragraphs 75 and 76); and (c) information about the entity’s performance obligations (paragraphs 77 and 78), including additional information about its onerous performance obligations (paragraphs 79 and 80). 	<p>23.30 An entity shall disclose:</p> <ul style="list-style-type: none"> (b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from: <ul style="list-style-type: none"> (i) the sale of goods. (ii) the rendering of services. (iii) interest. (iv) royalties. (v) dividends. (vi) commissions. (vii) government grants. (viii) any other significant types of revenue. <p>Disclosures relating to revenue from construction contracts</p> <p>23.31 An entity shall disclose the following:</p>	<p>Paragraph 73(a) corresponds to paragraph 23.30(b) of the <i>IFRS for SMEs</i>, as both require a disaggregation of revenue to be disclosed.</p> <p>Based on the reasoning in paragraph 6(e) of ‘Tier 2 Disclosure Principles’, in relation to disaggregation, paragraph 73(a) should be retained in Tier 2 disclosure requirements.</p> <p>Paragraph 73(b) has no equivalent disclosure in the <i>IFRS for SMEs</i>. Based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraph 73(b) should be excluded from Tier 2 disclosure requirements.</p> <p>Paragraph 73(c) corresponds to paragraph 23.32(b) of the <i>IFRS for SMEs</i>, as both require information</p>

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	23.32 (a) the amount of contract revenue recognised as revenue in the period. An entity shall present: (a) the gross amount due from customers for contract work, as an asset. (b) the gross amount due to customers for contract work, as a liability.	regarding future contract work to be disclosed. Based on the reasoning in paragraph 6(a) of ‘Tier 2 Disclosure Principles’, in relation to obligations, paragraph 73(c) should be retained in Tier 2 disclosure requirements.
Disaggregation of revenue 74 An entity shall disaggregate revenue into the categories that best depict how the amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Examples of categories that might be appropriate include: (a) type of good or service (for example, major product lines); (b) geography (for example, country or region); (c) market or type of customer (for example, government versus non-government customers); or (d) type of contract (for example, a fixed-price versus a time-and-materials contract).	23.30 An entity shall disclose: (b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from: (i) the sale of goods. (ii) the rendering of services. (iii) interest. (iv) royalties. (v) dividends. (vi) commissions. (vii) government grants. (viii) any other significant types of revenue.	Paragraph 74 corresponds to paragraph 23.30(b) of the <i>IFRS for SMEs</i> , as both require a disaggregation of revenue to be disclosed. Based on the reasoning in paragraph 6(e) of ‘Tier 2 Disclosure Principles’, in relation to disaggregations, paragraph 74 should be retained in Tier 2 disclosure requirements.
Reconciliation of contract balances 75 An entity shall provide a reconciliation from the opening to the closing aggregate balance of contract assets and contract liabilities. The reconciliation shall, at a minimum, show each of the following, if applicable: (a) the amount(s) recognised in the statement of comprehensive income arising from: (i) revenue from performance obligations satisfied during the reporting period;		Based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraph 75 should be excluded from Tier 2 disclosure requirements.

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<ul style="list-style-type: none"> (ii) revenue from allocating changes in the transaction price to performance obligations satisfied in previous reporting periods; (iii) interest income and expense; and (iv) the effect of changes in foreign exchange rates; (b) cash received; (c) amounts transferred to receivables; (d) non-cash consideration received; and (e) contracts acquired in business combinations and contracts disposed. 		
76 An entity shall reconcile the opening and closing aggregate balance of contract assets and contract liabilities to the amounts presented in the statement of financial position.		Based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraph 76 should be excluded from Tier 2 disclosure requirements.
<p>Performance obligations</p> <p>77 An entity shall disclose information about its performance obligations in contracts with customers, including a description of:</p> <ul style="list-style-type: none"> (a) the goods or services the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e. if the entity is acting as an agent); (b) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service); (c) the significant payment terms (for example, whether the consideration amount is variable and whether the contract has a material financing component); (d) obligations for returns, refunds and other similar obligations; and (e) types of warranties and related obligations. 		<p>Paragraphs 77(a) to 77(c) have no equivalent in the <i>IFRS for SMEs</i> and relate to a recognition and measurement difference because the <i>IFRS for SMEs</i> does not recognise revenue based on performance obligations.</p> <p>Paragraphs 77(d) and 77(e) correspond to paragraph 85(a) of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> “85. An entity shall disclose the following for each class of provision: (a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits” (equivalent to paragraph 21.14(b) of the <i>IFRS for SMEs</i>). Paragraph 85(a) of AASB 137 has been retained in Tier 2 disclosure requirements.</p> <p>Based on the reasoning in paragraph 6(a) of ‘Tier 2 Disclosure Principles’, in relation to obligations,</p>

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		paragraph 77 as a whole should be retained in Tier 2 disclosure requirements.
<p>78 For contracts with an original expected duration of more than one year, an entity shall disclose the amount of the transaction price allocated to the performance obligations remaining at the end of the reporting period that are expected to be satisfied in each of the following periods:</p> <ul style="list-style-type: none"> (a) not later than one year; (b) later than one year but not later than two years; (c) later than two years but not later than three years; and (d) later than three years. 		<p>The <i>IFRS for SMEs</i> was reviewed to identify whether time-banded disclosures are required for some liabilities. Section 20 <i>Leases</i> requires some time-band disclosures for minimum lease payments.</p> <p>Based on the reasoning in paragraph 6(a) of ‘Tier 2 Disclosure Principles’, in relation to short-term cash flows and obligations, paragraph 78 should be retained in Tier 2 disclosure requirements.</p>
<p>Onerous performance obligations</p> <p>79 An entity shall disclose the amount of any liability recognised for onerous performance obligations together with a discussion of:</p> <ul style="list-style-type: none"> (a) the nature and amount of the performance obligations for which the liability has been recognised; (b) why those performance obligations have become onerous; and (c) when the entity expects to satisfy the liability. 		<p>Paragraphs 79(a) and 79(c) correspond to paragraph 85(a) of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> quoted above (equivalent to paragraph 21.14(b) of the <i>IFRS for SMEs</i>). Paragraph 85(a) of AASB 137 has been retained in Tier 2 disclosure requirements.</p> <p>Paragraphs 79(a) and 79(c) should be retained in Tier 2 disclosure requirements based on paragraph 6(a) of ‘Tier 2 Disclosure Principles’, in relation to obligations.</p> <p>Paragraph 79(b) has no equivalent in the <i>IFRS for SMEs</i> and relates to a recognition and measurement difference because the <i>IFRS for SMEs</i> does not recognise revenue based on performance obligations.</p>

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		Given we are proposing that Tier 2 entities comply with 79(a) and 79(c), we are of the opinion that it will not be costly for entities to also comply with paragraph 79(b). Therefore, based on paragraph 5 of ‘Tier 2 Disclosure Principles’, in relation to cost-benefit and user needs, paragraph 79(b) should be retained in Tier 2 disclosure requirements.
<p>80 An entity shall provide a reconciliation from the opening to the closing balance of the liability recognised for onerous performance obligations. The reconciliation shall show the amounts recognised in the statement of comprehensive income attributable to each of the following, if applicable:</p> <ul style="list-style-type: none"> (a) performance obligations that became onerous during the period; (b) performance obligations that ceased to be onerous during the period; (c) amount of the liability that was satisfied during the period; (d) the time value of money; and (e) changes in the measurement of the liability that occurred during the reporting period. 		<p>Paragraph 80 has no equivalent in the <i>IFRS for SMEs</i> and relates to a recognition and measurement difference because the <i>IFRS for SMEs</i> does not recognise revenue based on performance obligations.</p> <p>Based on paragraph 5 of ‘Tier 2 Disclosure Principles’, in relation to cost-benefit reasons, paragraph 80 should be excluded from Tier 2 disclosure requirements.</p>
<p>Significant judgements in the application of the [draft] IFRS</p> <p>81 An entity shall disclose the judgements, and changes in judgements, made in applying this [draft] IFRS that significantly affect the determination of the amount and timing of revenue from contracts with customers. That disclosure shall explain the judgements used in:</p> <ul style="list-style-type: none"> (a) determining the timing of satisfaction of performance 		Paragraph 81 corresponds to paragraph 122 of AASB 101 <i>Presentation of Financial Statements</i> “122. An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on

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<p>obligations (paragraph 82); and</p> <p>(b) determining the transaction price and allocating it to performance obligations (paragraph 83).</p>		<p>the amounts recognised in the financial statements.” (equivalent to paragraph 8.6 of the <i>IFRS for SMEs</i>). Paragraph 81 is a specific requirement, consistent with the general requirement in paragraph 8.6 of <i>IFRS for SMEs</i> to disclose information regarding significant judgements made.</p> <p>Based on paragraph 6(c) of ‘Tier 2 Disclosure Principles’, in relation to measurement uncertainties, paragraph 81 should be retained in Tier 2 disclosure requirements.</p>
<p>Determining the timing of satisfaction of performance obligations</p> <p>82 For performance obligations satisfied continuously, an entity shall disclose:</p> <p>(a) the methods (for example, output methods, input methods and methods based on the passage of time) used to recognise revenue; and</p> <p>(b) an explanation of why such methods are a faithful depiction of the transfer of goods or services.</p> <p>Determining the transaction price and allocating it to performance obligations</p> <p>83 An entity shall disclose information about the methods, inputs and assumptions used:</p> <p>(a) to determine the transaction price in accordance with paragraphs 35–49;</p> <p>(b) to estimate stand-alone selling prices of promised goods or services;</p> <p>(c) to measure obligations for returns, refunds and other similar obligations;</p> <p>(d) to measure the amount of any liability recognised for onerous performance obligations (including</p>	<p>General disclosures about revenue</p> <p>23.30 An entity shall disclose:</p> <p>(a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services.</p> <p>Disclosures relating to revenue from construction contracts</p> <p>23.31 An entity shall disclose the following:</p> <p>(b) the methods used to determine the contract revenue recognised in the period.</p> <p>(c) the methods used to determine the stage of completion of contracts in progress.</p>	<p>Paragraphs 82 and 83 correspond to paragraph 23.30(a) and paragraphs 23.31(b) to 23.31(c) of the <i>IFRS for SMEs</i>, as both require disclosure of the methods used to account for revenue.</p> <p>Based on the reasoning in paragraph 6(d) of ‘Tier 2 Disclosure Principles’, in relation to accounting policy choices, paragraph 82(a) should be retained in Tier 2 disclosure requirements.</p> <p>Based on cost-benefit reasons (paragraph 5 of ‘Tier 2 Disclosure Principles’), paragraph 82(b) should be excluded from Tier 2 disclosure requirements.</p> <p>Paragraph 83 also proposes to disclose information regarding assumptions. Paragraph 83 is a specific requirement, consistent with the general requirement in paragraph 8.6 of <i>IFRS for SMEs</i> to disclose information regarding significant judgements made. Revenue is applicable to most entities and it is likely</p>

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information about the discount rate).		<p>to be significant.</p> <p>Based on the reasoning in paragraphs 6(c) and 6(d) of 'Tier 2 Disclosure Principles', in relation to measurement uncertainty and accounting policy choices, paragraph 83 should be retained in Tier 2 disclosure requirements.</p>